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Corruption, collusion and nepotism in Indonesia

FIONA ROBERTSON-SNAPE

ABSTRACT *An end to KKN—the Indonesian acronym for corruption, collusion and nepotism—is currently one of the demands of Indonesia's growing reform movement. This is not the first time corruption has been on the political agenda in Indonesia; indeed, Suharto came to power promising to end corruption. Tackling corruption, however, was not one of the priorities of the Suharto regime and under Suharto KKN thrived while protesting voices were silenced. This article examines the political, economic and cultural conditions which have allowed corruption to flourish in Indonesia and concludes by considering whether the new poltical mood in the country since the fall of Suharto offers hope for a new, more corruption-free Indonesia.*

Suharto, former president of Indonesia, came to power promising to tackle the problem of corruption: 'not only good government, but also clean government' was one of his regime's mottoes. Yet 32 years later Suharto left power amid a general outcry over *Korrupsi, Kollusi, Nepotisme* (KKN)—corruption, collusion and nepotism—and the Suharto family name is now indelibly associated with such practices. Suharto's remarkable historical record is now tainted by that association, and his business transactions are currently the subject of an investigation by the Attorney General's Office in Jakarta.

A broad definition of corruption, which can incorporate collusion and nepotism is the misuse of public office for private gain. A difficulty in writing about corruption in Indonesia, as elsewhere, is that such misuses of office are unlikely to be documented and much of the available information is therefore anecdotal. Well documented evidence of corruption is elusive—as might be expected—but what evidence there is, is suggestive of a high level of corruption within Indonesia. One indication is the extent to which Indonesia is perceived to be a very corrupt country. Transparency International's 1998 Corruption Perception Index places Indonesia as 80th out of 85. This means that, according to a poll of polls, Indonesia is perceived by consultants and business people to be one of the most corrupt countries looked at by the survey. One of the polls used by Transparency International as a source was a survey by the Hong Kong-based Political and Economic Risk Consultancy, which in 1997 found that Indonesia is perceived to be the most corrupt country in Asia. A survey of 280 expatriate businessmen were asked: 'To what extent does corruption exist in the country in

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which you are posted in a way that detracts from the business environment for foreign companies?'. A country was deemed corrupt if it was necessary for a company to offer bribes or other improper inducements to bureaucrats, politicians or government officials in order to achieve official approval for a specific goal. According to this criterion, Indonesia was considered to be the most corrupt. Commenting on the report, the then Minister for Transmigration and the Resettlement of Forest Squatters, Siswono Yudohusodo, responded: 'What is clear is that we are facing the reality that corruption and collusion has spread through society'.[1] The perception that corruption is rife in Indonesia is therefore not confined to outsiders.

Further evidence is supplied by an opinion poll of 1000 respondents carried out in February 1998 by the Centre for the Study of Development and Democracy in Jakarta, which found that 78% of Indonesians polled were certain that bribery was still a necessity in dealings with government offices.[2] The figure is unsurprising given that anecdotal evidence suggests that it is frequently necessary to pay a bribe when registering the birth of a baby, or applying for a driving licence or marriage certificate, or when obtaining a compulsory identity card. The police pull over cars in order to collect bribes even when no violation has been committed, and corruption extends into the highest echelons of the criminal justice system. As the Indonesian bureaucracy pervades society and is the largest employer even in the smallest towns, this sort of petty corruption is a daily reality in the lives of Indonesians, from which they cannot escape.

Although the standard of living for Indonesian bureaucrats improved under Suharto, the incidence of this sort of widespread petty corruption is still generally explained by the low wage rates of Indonesia's civil servants. Hal Hill claims that civil service wages have lagged so far behind the rise in the costs of living that by 1990 they covered only one-third of an official's household needs.[3] Incentives to corruption are high when salaries and welfare provisions are low. Suharto himself appeared to accept this problem when he stated that:

> Corruption in our country is not the result of corrupt minds but of economic pressures. Eventually, when economic development has gone so far as to produce a good overall standard of living, government employees will receive adequate salaries and have no reason to practise corruption.[4]

While Suharto might have largely concerned himself with the prevalence of petty corruption, this article is more concerned about corruption on a much grander scale. Corruption in Indonesia has been perpetuated not only by low official wages but also by the president's need to secure his position by enabling key figures in the bureaucracy and the military to benefit economically from their loyalty. Corruption is symptomatic of other causes, and opportunities for corruption on a grand scale arise in particular political and economic conditions. This article examines those conditions and the extent of serious corruption in Indonesia. It also considers the cultural aspects of corruption, and questions the extent to which it can be explained in Indonesia by the persistence of traditional values and power structures.

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Political factors

A lack of accountability, transparency, democratic institutions and a free press, is an important contributing factor to the extent of corruption within a particular society. Indonesian politics under Suharto was marked by a lack of all those things.

On independence Indonesia became a parliamentary democracy, under the presidency of Sukarno. As a result of the struggle for independence, Indonesia was highly politicised, with numerous political parties active. In Indonesia's first and only truly democratic election, which took place in September 1955, the vote was split fairly evenly between the Islamic parties, the nationalists and the Communists. No one group was strong enough to provide the national leadership which Indonesia so badly needed and the result was chronic instability typified by a succession of different governments. This instability provided Sukarno with the impetus and excuse gradually to become more authoritarian, until in 1959 he suspended parliamentary democracy altogether, abandoned the liberal constitution of 1950 and reinstated the 1945 constitution which vests 'all power and responsibility in the hands of the President'. This enabled him, and General Suharto after him, to create a highly personalised system of rule.

The state of Indonesia, which is made up of about 14 000 islands and is home to over 300 different ethnic groups, came into existence amid diversity and division. Under Sukarno it became an explosive cocktail of social and political antagonisms. The explosion came in 1965 after a failed coup by pro-communist army officers. Their aim was apparently to prevent an anti-communist coup by members of the military, possibly with US support. The coup perpetrators murdered five generals before being caught. One general who escaped, and who rallied his forces to stamp out the coup, was General Suharto. The coup was the spark which ignited the explosion of social hatreds, and in its aftermath there was a general bloodbath, in which about half a million people, mainly Communists, were killed. Out of the confusion, Suharto emerged as leader.

Suharto's response to the dangerous cocktail of different loyalties which subsumed Indonesian politics was to depoliticise Indonesian society, and to end the mass political mobilisation which had characterised Indonesian politics before he came to power. Throughout his years in office, Suharto moved to strengthen control over social and political forces within Indonesian society, to place much tighter controls on critics of the regime, and generally to enforce political inactivity. Power became more and more centralised and the state apparatus became increasingly sophisticated at neutralising dissent either through repression or co-option. In such an environment, the voices of those who wanted to change the system, or to end the corruption that it spawned, were unlikely to be heard or tolerated. A campaign against corruption by Indonesia's university students, though it survived for many years, was eventually squashed by the 1978 Campus Normalisation Law, which sought to end political activity at universities. Press freedom was also restricted. Despite the fact that a free press is guaranteed by the constitution and the 1982 Press Law, the press in Indonesia has traditionally been tightly controlled, covering govern-

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ment pronouncements and achievements and little else. It was not state-owned, but the government had the authority to ban any publication without going to court, and this forced editors into effective self-censorship. Those publications which did overstep the mark were banned

Indonesia's political system is designed to create unity through the achievement of consensus. What this means in practice is a democratic facade fronting highly personalised rule. While democratic institutions in the Western sense do exist, under Suharto there was generally little scope either for genuine debate or for real change. Opposition parties existed, for example, but they were only tolerated by the regime as long as they did not mount any really effective opposition. In a system in which the government party always wins, the president appoints those people who elect him, and the critical press is closed down, there is no democratic accountability and little transparency. In such conditions, corruption can thrive, largely unseen.

Liddle describes the New Order as a steeply ascending pyramid, which had Suharto at its apex.[5] Suharto secured his dominant position atop society not only through repression, but also through co-option. His key strategy for co-option was patronage. Michael Vatikiotis argues that Suharto's power was not so much the power of the gun, but rather the power of the purse.[6] In other words, it was Suharto's ability to buy loyalty through the dispensing of favours, which enabled him to hold the reins of power for so long. Because Suharto ensured that the benefits of corruption were dispersed widely through the pyramid, so that bureaucrats at all levels had a stake in the system, the pyramid remained stable. Despite high profile anti-corruption campaigns, therefore, little changed and where corruption was temporarily stamped out, it soon crept back.

Such a system of institutionalised corruption is dependent on certain economic conditions, and on the availability of funds. Having placed the issue of corruption in Indonesia in its political context, this paper now turns to look at the economic factors which have enabled a pervasive system of high-level corruption to persist in Indonesia.

Economic factors

Extensive government intervention in an economy is seen as a cause of corruption because of the rents that this intervention creates. When Suharto came to power, corruption was endemic within the Indonesian administration. Under the Old Order of Sukarno, the government had been omnipresent in the economy, which had been dominated by state enterprises and tied up in bureaucratic red-tape, providing ample opportunities for corruption. The Indonesian economy had been inward-looking, centrally planned, inhospitable to foreign investment and highly regulated, with a restricted trade regime. Radius Prawiro, one of a group of economic technocrats who largely ran the Indonesian Economy under Suharto, describes the situation in the mid-1960s thus:

> In a patriarchal society such as Indonesia, the government had become the ultimate patron. There was almost no element of the economy that was not directly touched

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> by the government ... every point of economic interaction within the government was a new opportunity for patronage or corruption.[7]

Not only were Sukarno's policies hospitable to corruption, they were also disastrous in terms of Indonesian development. When Suharto came to power, inflation was running at over 600%, Indonesia had a negative growth rate, a huge foreign debt and almost fully depleted foreign reserves.[8] As inflation soared the incentives for corruption increased. High-level officials and politicians were impoverished by the rising inflation, and low-level officials simply were not paid enough to live on. The problem of low salaries was therefore aggravated by Sukarno's disastrous economic policies and by the early 1960s it was impossible for an honest civil servant to subsist on his salary alone; indeed the salary lasted little more than a week. Furthermore, it was all too easy to charge an unofficial fee to facilitate the processing of documents, for example, to supplement that meagre wage.

Suharto, by contrast, presided over a period of sustained economic growth. The achievement of economic development was always the highest priority of his regime, and the success of the policy legitimised his system of rule. On coming to power, therefore, Suharto ended the disastrous economic policies of Sukarno, and embarked on a highly pragmatic economic policy which was to bring stability and development to an Indonesia in turmoil. His response to the economic collapse was to open up the Indonesian economy and to attract foreign aid and investment. Under the direction of Western-trained technocrats, the New Order introduced measures to reduce the size of government and the level of government subsidies, and to restore order to the Indonesian banking system. The period of liberalisation, however, did not last for long. The history of economic policy-making under Suharto is one of swings in approach between liberal, outward looking economic policies promoted by the technocrats and inward, interventionist policies advocated by economic nationalists. During the 1970s and early 1980s the economic pendulum swung away from liberalism and there was a resurgence of nationalist and interventionist ideas. Protectionism and import-substitution, fuelled by the oil bonanza, dominated Indonesia's economic development plans throughout this period. Ironically, part of the impetus for this reversal of thinking was provided by campaigners against the corruption and nepotism that an outward-looking economic policy had spawned. After only a few years in power, the regime was faced with student demonstrations against economic policies which they believed advantaged a small elite at the expense of the broader society. The liberal newspaper *Indonesia Raya*—known for its attacks on the abuse of political power—published the following in one of its editorials:

> Just look at the questions asked by university students who 'went into the streets' to demonstrate against foreign loans, foreign investment and the misuse of bank credits. It is now a public secret that those who benefit from these activities are the bit-shots and members of the families—wives, relatives, children, nephews, close friends and cliques.[9]

Indonesia Raya was shortly after banned for its coverage of the riots which broke out in Indonesia over these issues. These riots, known as the Malari riots,

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constituted a turning point in Indonesian politics. Economic policy turned inwards, restrictions were placed on foreign investments, and a state-led drive for import substitution industrialisation was initiated. Indigenous industries were protected from external competition and imports were controlled through a sole-importer policy. Such policies, far from stamping out cronyism and nepotism, provided ample opportunities for political patronage and corruption.

Paolo Mauro describes import quotas, and the associated licences that bureaucrats then have to dispense as: 'The classic example of a government restriction resulting in rents and rent-seeking behaviour'.[10] Certainly, in Indonesia powers of patronage were concentrated around the sole-importer policy by which one company or individual would be granted the monopoly over a certain product. One such monopoly was on the import of plastics. Panca Holding was the only agent for the import of plastics, a situation which not only artificially inflated the price of plastic, but which was the source of significant enrichment for the company's main beneficiaries—President Suharto's cousin, Sudwikatmono, and two of the President's sons: Sigit Haryoyudanto and Bambang Trihatmodjo. During the 1970s and early 1980s, therefore, the entire process of trade protection became highly politicised, and a complex network of political and business patronage developed.

By the mid-1980s the state owned over 200 enterprises, ranging from tea plantations to steel manufacturers.[11] The end of the oil boom, however, forced a paradigm shift in Indonesian economic policy making, and the process began of reorientating policy towards an outward-looking economy, reducing the role of the state, and giving a greater role to the private sector. Oil revenues could no longer subsidise inefficient domestic industries, and inward-looking, interventionist policies became untenable as the oil price collapsed in 1986. As a matter of urgency Indonesia needed to encourage private enterprise, to cut production costs across industry and to create an industrial base which could compete effectively on world markets. Central to this task was a policy of deregulation, which removed multiple layers of rules, regulations and procedures which had previously tied down the business process in a mass of red tape.

Deregulation and economic liberalisation are often emphasised as important anti-corruption methods, and certainly many of the reforms did have implications for the extent of corruption in the Indonesian economy. The anti-corruption effects of such reforms can be seen in three reforms which were essential prerequisites for the deregulation movement: the banking reforms of 1983, the taxation reforms of 1984 and the customs reforms of 1985. Each reform removed certain opportunities for collusion. Banking reforms, for example, put a stop to the practice of command loans whereby banks were instructed by political leaders to lend money to favoured individuals and companies without undertaking the usual commercial evaluation process.[12] In addition, before the bank reforms there were two interest rates—a low rate for so called 'priority projects' and a high rate for other ventures. Whether or not a project was to be branded a priority was subject to 'negotiation'. Similarly, the pre-1983 tax system was so opaque and confusing, with 48 different tax rates for individuals alone and no independent means to assess one's tax rate, that taxes were also highly 'negotiable'. The only way for taxpayers to work out their tax obligation was to visit

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the tax office and have a tax officer review their affairs. During this face-to-face consultation the rate would be determined, but rarely on the basis of clear and objective criteria. As Prawiro writes: 'It was well known that a job as a tax collector was one of the surest roads to riches in the government bureaucracy'.[13]

Another position which provided ample opportunity for 'supplemental income' was the post of customs officer. Prawiro writes that 'the entire trade process was readily manipulated to serve the interests of a retinue of customs officers'.[14] As the price of oil fell and as Indonesia turned towards non-oil trade to sustain its levels of growth, the whole economy was threatened by the pervasiveness and extremism of corruption within the customs system, which was seen to be one of the main causes of Indonesian's high-cost economy. The system of customs inspections required up to 37 signatures and roughly the same number of unofficial fees. The reputation of the entire country was also damaged. Corruption was so entrenched that reform seemed impossible, so in 1985 most customs duties were transferred to the Swiss firm, Société Generale de Surveillance (SGS).

These three essential reforms laid the groundwork for significant liberalisation and deregulation of the economy in 1986 and 1988. Power shifted from the government, which had previously dominated the economy through state-owned enterprises, to the private sector. Deregularisation went hand in hand with debureaucratisation, reducing the high cost of doing buisness in Indonesia. Every licence, permit and application resulted in work for a government bureaucrat and in many cases these reforms meant that government employees lost their opportunity to benefit from 'gratuities' frequently conferred for performing such services. Key monopolies were also broken, including that of Panca Holding. Despite the Suharto family connections, the monopoly on plastics was broken by the November package of liberalisation reforms in 1988. As Schwartz comments: 'One of the most glaring examples of government-sponsored cronyism was no more ... Reforms had taken on the more sacred cows of crony capitalism and had won.'[15] Despite these reforms, however, the regulatory responsibilities of the state remained strong, as did Suharto's powers of patronage. The loss of the Panca Holding monopoly did not signal frugal times ahead for the Suharto family. Rather, liberalisation in Indonesia provided the opportunity for a rapid expansion of the business interests of favoured groups in society, most notably, members of the Suharto family and Suharto's Chinese cronies, who had succeeded in securing licences, approvals and major loans on favourable terms. The Suharto family now hold major interests in most of the vital sectors of the economy, including, roads, car manufacturing and telecommunications. Cheryl Gray and Daniel Kaufman argue that: 'Monopoly rents can be very large in highly regulated economies ... further, in transition economies, economic rents are particularly large because of the amount of formerly state-owned property that is essentially up for grabs'.[16] In Indonesia, it has been those who are politically well connected who have secured the goods.

In Indonesia, business has been as much about who you know as what you can do—and the people to know were the Suhartos. Suharto family members and their cronies were highly sought-after business connections, for political connections have been essential to successful business in Indonesia. Suharto's family

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and friends have therefore often been given equity interests in companies who need their connections in order to be granted permits and approvals. When what was thought to be the world's largest deposit of gold was discovered in Indonesia, the battle for exploitation rights—worth billions of dollars—inevitably involved members of the Suharto family. The deposits were discovered by a small Canadian company called Bre-X, which then became bogged down in bureaucracy while waiting for official approval to exploit the find. Bre-X also had to contend with a rival bid, from international mining giant Barrick Gold Corporation. In order to secure the rights, Barrick formed a partnership with Suharto's eldest daughter, Siti Jardijanti Rukmana, or Tutut. In response, Bre-X signed on Sigit Suharto, the then-President's oldest son. His fee was 40 million rupiah up front, and a 10% stake in the mine—a deal potentially worth $ 1 billion. Both sides therefore essentially bought a member of the president's family in order to secure the deal and one of the president's closest friends, Bob Hasan, had to be brought in to negotiate and avoid a possible family feud. The eventual deal, according to the *Far Eastern Economic Review*, would have given Hasan a 30% stake in the gold deposit without him having to pay a single rupiah, had the whole project not turned out to be fraudulent.[17] High-level friends and family members therefore ensured that they were in a position to benefit from the massive wealth that the mine promised to produce. The people of Indonesia, by contrast, would have had no stake.

The *Guardian* has described Bob Hasan as 'one of Asia's best connected agents of crony capitalism'. Hasan's empire was built around the Indonesian Wood Panel Association (Apkindo). This association not only set the price for wood exports, but determined export levels, and even decided which shipping and insurance companies would be used. Hasan's own timber company—built up on forestry concessions given to him by Suharto—as well as his shipping and insurance companies benefited greatly from his position in Apkindo.[18] Such clear-cut examples of the abuse of position cause deep resentment in Indonesia, not least because Hasan is Chinese. Hasan is just one of a handful of Chinese businessmen who have accrued massive wealth, aided by close personal ties with President Suharto. With the exception of the Suharto offspring, most conglomerates in Indonesia are owned by the Chinese, indeed Chinese companies dominate the Indonesian economy. The close links between Suharto and hugely successful Chinese businessmen have introduced a racial element into concern about KKN and broader issues of social justice. This racial aspect frequently raises its head at times of unrest, as was seen most clearly during the 1998 May riots in Jakarta.

Although liberalisation has theoretically shifted the balance of power in the economy from the state to the private sector, there remains a close nexus between politics and business in Indonesia, and examples of cronyism, nepotism and corruption still abound. One of Suharto's greatest skills was to hold on to his powers of patronage and to manage them so successfully, thereby not only securing the loyalty of his subordinates, but also ensuring the financial security of his family and friends. Yet, as Schwartz writes: 'To Suharto, this is not corruption', rather it is the spoils of office. 'Big corruption' as Schwartz calls it, has its roots in ancient cultural traditions, and from Suharto's perspective the

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dispensing of government largesse is one of the personal prerogatives of the Javanese ruler.[19] Since cultural explanations of corruption are tantamount to justifications for it—condemnation being seen as a judgement from a particularist and inappropriate cultural standpoint—this claim needs to be explored further.

Javanese culture and corruption

The state of Indonesia contains over 300 ethnic groups, but the ethnic Javanese account for about half the country's population. Since early colonial times the Javanese have been the core ethnic community in an ethnically diverse state, and this cultural dominance has been reinforced since independence. Clifford Geertz writes: 'In unifying the archipelago under their hegemony ... the Dutch turned a competitive diversity in which Java was prominent into a hierarchical one in which it was pre-eminent'.[20] Indonesian culture has therefore been shaped by Javanese culture not least because that culture has been heavily influenced by Indonesia's two dominant post-independence leaders—Sukarno and Suharto—both of whom practised a particular form of personal rule that can be seen as part of the tradition of Javanese kings.[21] Cultural explanations of corruption in Indonesia therefore rely on the evidence of old Javanese customs. The offering of gifts by subjects to their rulers, for example, is said to explain why bribery is rife. According to such an explanation, gift-exchange is a business norm in Indonesia and should not be considered corrupt. Nepotism and collusion can similarly be explained. In a traditional culture where family loyalties are stronger than state loyalties, a public official's duty to his office is secondary to that towards his family or community. Any opportunities to further the economic or employment opportunities of that family will therefore be considered legitimate in terms of the official's priorities.

In a similar vein, the Javanese conception of power as hierarchical, fixed and patrimonial, is used to explain high-level corruption. Javanese culture was heavily influenced by the spread of elements of Indian civilisation through Java during the early centuries of this millennium. Indian culture was divided into a rigid caste hierarchy and introduced the idea of the ruler as occupying an exalted position. From his exalted position, a ruler could dispense personal favours to his people. According to William Liddle, the idea of the benevolent ruler and an obedient populace is the most important idea borrowed by Suharto's New Order from traditional Javanese culture.[22] Government is hierarchical and Suharto liked to present himself as sitting atop that hierarchy in the style of a traditional Javanese king. It is the right of the king to dispense favours. There is a strong tradition of patronage in Javanese culture, therefore, which Suharto very skilfully used. In order for subjects to benefit from that patronage they had to be deferential and obedient—the king could never be wrong. Indonesia is therefore a patrimonial state, defined by Benedict Anderson as a state in which 'real power is seen to flow out of the concentrated centre'.[23] According to Thomas Lancaster and Gabriella Moninola, 'all property, with the exception of personal effects, belong to the ruler in a patrimonial state'.[24] It is therefore not unreasonable for the king to dispense that property according to his own will.

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Writers on corruption are generally at pains to point out the difficulties involved in defining corruption. 'The task is particularly tricky because behaviour that is considered corruption to some may not be corruption to others' writes one author.[25] The fear of cultural insensitivity pervades much corruption literature—the fear of condemning practices simply for being non-Western, rather than corrupt in any absolute sense. In *Corruption, Development and Underdevelopment*, Robin Theobald outlines the difficulties of finding a clear definition of corruption. Theobald uses the following definition: 'political corruption is the illegal use of public office or the process of selection to public office for private ends'. He notes various difficulties with the definition, however, not least that it is informed by an essentially Western concept—Max Weber's ideal-type of rational–legal bureaucracy. This might be a problem when the definition is used in states where the public office ethos is not well established.[26] An alternative to the public office definition is one which is built around the concept of public interest. Rogow and Lasswell offer such a definition, with corruption being 'the subversion of public interest for private ends'. This definition also has problems in that what is in the public interest is impossible to define in a complex society, and is frequently cited as that which is in the interest of politically dominant groups. However, the definition of corruption in Indonesian law echoes this conception. The criminally corrupt is defined in part as:

> a. Whoever by contravening the law commits acts, to enrich himself or another or a corporate body, which directly or indirectly injure the finances or economy of the State, or if it is known or suspected by him that such acts will do so.
>
> b. Whoever with the intention of advantaging himself or another person or a body, abuses the authority, opportunity, or influence which he has by reason of his office or position, which directly or indirectly can injure the finances or economy of the state.[27]

The law assumes an objective public interest—the health of the finances or economy of the state. It is not a conception of corruption on the basis of public office, it is not about violating public office norms, or the moral fabric of society, but about undermining the economic base. If there is a conception of an objective public interest in Indonesia, it has grown up around the concept of economic development. National development, or *pembangunan* as it is called in Indonesia, was the rallying cry of the Suharto government and the public justification for his strong personal leadership. As Ian Chalmers and Vedi Hadiz point out, the root of the word *pembangunan* is the verb *bangun*, to 'build, uplift, awaken', so the word can mean 'awakening' or 'emergence'—it is an ideological term describing a common purpose binding all the peoples of Indonesia together, and it is *pembangunan* upon which Suharto based his authority and legitimacy.[28]

According to Article 33 of Indonesia's 1945 constitution: 'The economy will be organised collectively on the basis of the Family Principle'. The Indonesian state ideology can be described as one of organic corporatism. The state as the corporate entity is the highest ideal in which the component parts work towards the common good. The purpose of the state is to protect that common good (considered to be unproblematic) from elements within society which seek to

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undermine it, including vested particular interests—the excuse at least for an authoritarian-style government which does not legitimise opposition. These ideas are incorporated into a state ideology called *Pancasila*, which means five pillars, and is the foundation on which the modern state of Indonesia, rhetorically at least, is grounded. *Pancasila* comprises a set of five principles: belief in one God; just and civilised humanitarianism; national unity; consensual democracy; and social justice for all Indonesians. *Pancasila* evolved out of debates in the 1940s over the ideological basis of the state. It is the lowest-common denominator of apparently agreed values and is considered sufficiently general to be universal. In summoning up the meaning of *Pancasila*, Sukarno described it as *gotong rojong*, translated as 'mutual cooperation'. It is: 'Acts of service by all for the interest of all. *Ho-lopis-kuntul-baris*—One, two, three, heave! for the common interest. That is *gotong rojong*.'[29] *Gotong rojong* is considered a shared value that has grown out of Indonesian history and culture and which constrains Western individualism, conceived in terms of the enrichment of the individual at the expense of society.

Gotong rojong is supported by the development trilogy—stability, growth and equity—which epitomises Indonesia's vision of development. 'Free-fight' capitalism, in which a ruthless few can benefit while the majority is sidelined, is said to be antithetical to Indonesia's cultural norms.[30] *Pancasila* was designed to appeal to the tradition of family loyalty which existed in local communities and it was hoped, as Holtzapple writes, that local groups would mobilise their family ties and 'invest their energy and feelings in the national struggle for independence'.[31] It is somewhat ironic, therefore, that the Suhartos have mobilised their family ties for their own particular individual and family interests. The family, of course, present their commercial success as good for the national struggle for independence, but their position is unconvincing. In 1994 Vatikiotis wrote: 'Defending themselves, the children cited the nation's development as their goal, harnessing the very core of the New Order's legitimacy—national development—to the private interests of the New Order's leader and in the process exposing him to political risks'.[32] Subsequent events have shown how high those risks were, and the evils of corruption, collusion and nepotism are now seen to be embodied in the family and person of Suharto himself. The very legitimacy of Suharto's regime was undermined by the massive personal wealth of his friends and family, achieved through their political connections, and the Indonesian people are now calling for the Suharto's wealth to be returned to the nation.[33]

A focus on cultural values therefore leads to contradictory conclusions. On the one hand, a study of traditional Javanese cultural values does provide some insight into the practices of Suharto and his 'court'. On the other hand, if one examines the ideology and values on which the modern Indonesian state has been built, a very different picture emerges. According to this picture, high-level corruption in Indonesia has undermined the values of national unity and social justice on which the modern state of Indonesia was founded. Given that Suharto had modernising ambitions, and justified his rule with the values of a modern, post-independence Indonesia, it is not unreasonable to reject the argument that, according to Javanese culture, certain practices which are illegal

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in the West are quite legitimate in Indonesia. The fact of popular protest against the abuse of power also indicates that the extent of corruption in Indonesia cannot simply be put down to different cultural values and practices. Anti-corruption voices could be heard during Suharto's regime, despite all attempts to stifle criticism. In 1993, for example, an opposition economist summed up his party's position as, 'anti-corruption, anti-nepotism, anti-monopoly, anti-social injustice'. His was not a lone voice. In 1995 another Indonesian, Mochtar Pabottingi wrote: 'Rampant monopoly, oligopoly, and nepotism increase inefficiency and hobble the national economy ... The malfeasance and resulting kleptocracy are perceived to issue from the subordination of the rule of law to the interest of the power holders and their cronies.'[34] These voices have now reached a crescendo in Indonesia and the public outcry over KKN demonstrates that Indonesians want their political and economic systems to be cleaned up, regardless of whether or not corruption is an attitudinal remnant from traditional society.

Post-suharto

As economic crisis hit Indonesia in mid-1997, Suharto's patronage funds dried up. When Suharto could no longer buy support, support changed to opposition. The deference which comes with patronage also faded away, and Suharto found himself devoid of allies and with no alternative but to resign. He was succeeded by one of his closest friends and political allies, B J Habibie, who has also not been immune from speculation about his financial affairs and those of his family. Even so, Habibie has taken over the baton of anti-corruption rhetoric. In his inaugural speech Habibie announced that his goal was to 'create the kind of political existence and clear governance and efficiency of governance free from corruption, collusion and nepotism'.[35]

With the eyes of international financial institutions and foreign investors upon him, Habibie will need to be seen to be moving towards his goal. In addition to the domestic pressures on him, Habibie is faced with international pressure to clean up the economy through more regulatory reforms. The International Monetary Fund has already left its mark. The economic collapse which has engulfed Indonesia since 1997 has highlighted distortions in the Indonesian economy which were tolerated while it continued to grow and offer lucrative investment opportunities, but which have since been identified as serious short-comings standing in the way of recovery and renewal. Some of those distortions are now being ironed-out as part of deals worked out with the IMF in exchange for massive bail-outs. The reforms of the IMF are expected to eliminate some high-level corruption by demanding greater financial transparency. New regulations have been passed which aim to eradicate corruption in government tenders, for example, and a Bank Restructuring Agency has been set up to implement reforms of the banking system. Whether such reforms will have an impact, or whether they will rather be weakened by exceptions and exemptions, is yet to be seen.

The IMF is also concerned to break up monopolies. The heyday of Apkindo was ended by the IMF in January 1998. Ironically though, Hasan was brought into

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Suharto's last cabinet as trade and industry minister, and was part of the team negotiating over reforms with the IMF—he even headed a working party to look into how to break up the cartels and restrictive trade practices which he himself had helped put in place.[36] On becoming president, Habibie dropped Bob Hasan from his cabinet as well as Suharto's daughter, and thereby tackled one of the more obvious instances of cronyism and nepotism.

Since Suharto's departure, politics in Indonesia has been reborn, with new political parties being formed, all demanding a new politics in the country. That new politics appears to be on the way. A new legislative framework has been developed to elect a truly representative government in 1999. Indonesia is preparing for its first taste of real democracy since the Sukarno era. The transition to democracy is always a difficult one, however, and Indonesia faces many significant hurdles, not least the economic crisis which still has the country in its grip. There is also no guarantee that democracy will reduce the incidence of corruption. Indeed, according to Harriss-White and White, the relationship between democratisation and corruption is contradictory. They point out that democratisation may have little impact on corruption, particularly while restraints on officials remain weak, and that it might even provide further opportunities for corruption, particularly within the electoral process.[37]

If an open press acts against corruption, then there is some cause for hope in Indonesia, as the tradition of a critical press is re-established. In June 1998 the Information Ministry scrapped the law that allowed it to revoke a newspaper's licence for criticising the government and relaxed controls on the use of foreign material in the broadcast media. Indonesian journalists, however, have not been immune from bribery and have little experience of critical journalism. Also, corruption is an acute disease and cannot easily be healed, at least not through improved transparency alone. Deeply entrenched vested interests stand in the way of reform and the legal system in Indonesia is still weak. International pressure, domestic demands and political reforms, however, all have the potential at least to curb corruption, collusion and nepotism and, if the will is there, that potential might one day be realised.

Notes

[1] 'It's evident that there is corruption and collusion in Indonesia', *Kompas*, Online, 13 June 1996.
[2] 'The society is convinced about high corruption in Indonesia', *Kompas*, Online, 18 February 1998.
[3] H Hill, *Indonesia's New Order: The Dynamics of Socio-Economic Transformation*, Honolulu, HI: University of Hawaii Press, 1994, pp 21–22.
[4] Suharto, *My Thoughts, Words and Deeds: An Autobiography*, Jakarta: Citra Lamtoro Gung Persada, 1991, p 213, cited in A Schwartz, *A Nation in Waiting: Indonesia in the 1990s*, Sydney: Allen and Unwin, 1994, p 136.
[5] R W Liddle, 'Soeharto's Indonesia: personal rule and political institutions', *Pacific Affairs*, 58(1), 1985, p 71.
[6] M Vatikiotis, *Indonesian Politics Under Suharto: Order, Development and Pressure for Change*, London: Routledge, 1993, p 52.
[7] R Prawiro, *Indonesia's Struggle for Economic Development*, Oxford: Oxford University Press, 1998, p 32.
[8] Vatikiotis, *Indonesian Politics Under Suharto*, p 33.
[9] *Indonesia Raya*, 7 January 1974, cited in I Chalmers & V Hadiz, *The Politics of Economic Development in Indonesia: Contending Perspectives*, London: Routledge, 1997, pp 64–65.

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[10] P Mauro, 'Corruption: causes, consequences, and agenda for further research', *Finance and Development*, March 1998.
[11] R Prawiro, *Indonesia's Struggle for Economic Development*, Oxford: Oxford University Press, 1998, p 157.
[12] H Hill, *Indonesia's New Order*, p 71.
[13] Prawiro, *Indonesia's Struggle for Economic Development*, p 231.
[14] Prawiro, *Indonesia's Struggle for Economic Development*, p 264.
[15] Schwartz, *A Nation in Waiting*, p 50–51.
[16] C Gray & D Kaufman, 'Corruption and development', *Finance and Development*, March 1998, p 9.
[17] J Solomon, 'Economy: conflicting signals', *Far Eastern Economic Review*, 22 May 1997, pp 52–53.
[18] A Higgins, 'Crony moves from cartel to cabinet', *Guardian*, 8 April 1998, p 13.
[19] Schwartz, *A Nation in Waiting*, p 136.
[20] C Geertz, *After the Fact: Two Countries, Four Decades and One Anthropologist*, Cambridge, MA: Harvard University Press, 1995, p 37.
[21] B Anderson, *Imagined Communities*, London: Verso, 1991, p 112.
[22] R W Liddle, *Leadership and Culture in Indonesian Politics*, Sydney: Allen & Unwin, 1996, p 80.
[23] B Anderson, 'The idea of power in Javanese culture', in Claire Holt, (ed), *Culture and Politics in Indonesia*, Ithaca, NY: Cornell University Press, 1972, p 37.
[24] T Lancaster & G Montinola, Towards 'a methodology for the comparative study of corruption', *Crime, Law and Social Change*, 27 (3–4), 1997, p 190.
[25] *Ibid*, p 188.
[26] R Theobald, *Corruption, Development and Underdevelopment*, Basingstoke: Macmillan, 1990, p 16.
[27] The law was passed on 29 March 1971. Cited in L Palmier, *The Control of Bureaucratic Corruption: Case Studies in Asia*, Ahmedabad: Allied Publishers, 1985, p 209.
[28] Chalmers & Hadiz, *The Politics of Economic Development in Indonesia*, p 2.
[29] Sukarno, 'The Panca Sila', June 1945, from *Toward Freedom and the Dignity of Man: Five Speeches by President Soekarno of the Republic of Indonesia*, Jakarta: Department of Foreign Affairs, 1961, in R Smith (ed), *Southeast Asia: Documents of Political Development and Change*, Ithaca, NY: Cornell University Press, 1965, p 180.
[30] Prawiro, *Indonesia's Struggle for Economic Development*, p 87.
[31] C Holtzappel, 'Nationalism and cultural identity', in M Hitchcock & V King (eds), *Images of Malay–Indonesian Identity*, Kuala Lumpur: Oxford University Press, 1997, p 70.
[32] Vatikiotis, *Indonesian Politics Under Suharto*, p 45.
[33] Although Suharto himself is under investigation by the Attorney General's Department, there has as yet been no talk of investigating the activities of his children.
[34] M Pabottingi, 'Historicizing the New Order's legitimacy dilemma,' in M Alagappa (ed), *Political Legitimacy in Southeast Asia*, California: Stanford University Press, 1995, p 227.
[35] CNN International, 'Indonesia's new president pledges reform', 21 May 1998, cnn.com/sorld/asiapcf/9805/21/indonesia.update/.
[36] Higgins, 'Crony moves from cartel to cabinet', p 13.
[37] B Harriss-White & G White, 'Corruption, liberalization and democratization', *IDS Bulletin*, 27(2), 1996, p 3.

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